

Point of View

Q3 2021



**Metro Atlanta's #1 Industrial
Real Estate Expert**

Serving Metro Atlanta businesses since 1980.

Letter from the President

Atlanta Launches New Records Again!

What a year so far! During the first quarter we announced records for activity, net absorption and construction that were the GOAT.

Then along came the second quarter and we announced that all records had been out done and that The Sky's the Limit. Now, it's the third quarter and its officially a three-peat. All previous records have been eclipsed and Atlanta's industrial market has launched new records!

Activity lifted off, setting a record with over 24.6 million total square feet of leasing and sales activity. This beat the previous record (set last quarter) by over 4.1 million square feet. After adding the third quarter activity numbers to the previous three quarters, the four rolling quarters number skyrocketed to 82.2 million square feet, breaking yet another record for the Atlanta industrial market and beating the previous quarter's record by 6.4 million square feet. Activity was absolutely astounding!

This magnitude of activity, had to lead to robust positive net absorption numbers...and that's putting it mildly. During the third quarter, Atlanta set another record for positive net absorption with over 12.1 million total square feet (2.8 million square feet higher than the previous record). The positive net absorption numbers for the past four rolling quarters rocketed to over 32.7 million square feet and passed the previous record by 3.4 million square feet! For the past nine years, Atlanta industrial market's shining star has been net absorption with 36 out of 37 quarters of strong positive numbers.

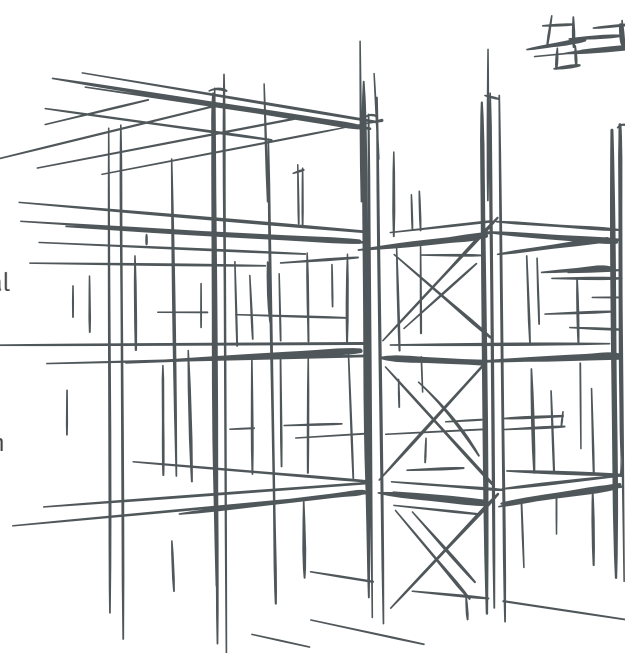
With record setting numbers for activity and positive net absorption aligned, Atlanta's new construction followed suit and hit with a big bang! This quarter announced over 14.3 million square feet of new construction, beating the record set last quarter by 2.1 million square feet. The Atlanta industrial market's new construction numbers for the past year went into orbit with over 43.8 million square feet - 6.8 million square feet above last quarter's record. WOW!

The breakdown for the 43.8 million square feet of new construction was 8 million square feet (18 percent) for built-to-suit projects and 35.8 million square feet (82 percent) for speculative construction. Over the past seven years, the Atlanta industrial market has produced over 170 million square feet of new construction, and over that same period these new buildings have been sucked into the black hole of absorption.....so much so, that the availability rate declined from 15.2% down to the current rate of 10.8%!

Last quarter, we noted that the transactions being consummated in the Atlanta industrial market were growing larger in size and in the total number of deals. We predicted that this trend was not going to abate anytime soon, and we were right! These trends took off and inked a whopping 174 deals that were over 100,000 square feet completed over the last four quarters. The total amount of square footage leased/sold was 45.3 million square feet, which was 55% of the total square footage for activity! The overall breakdown for the deals that were 100,000 square feet or larger was as follows; 108 deals (100,000-249,999 sq. ft.), 47 deals (250,000-499,999 sq. ft.), 10 deals (500,000-749,999 sq. ft.), 4 deals (750,000-999,999 sq. ft.) & 6 deals (1,000,000 sq. ft. or above). Large deals leaped a light year!

All of Atlanta's latest record-breaking numbers were stellar news! So, at this point what could go wrong to potentially slow down this amazing historic growth in the Atlanta industrial market's universe?

"With record setting numbers for activity and positive net absorption aligned, Atlanta's new construction followed suit and hit with a big bang!"



Letter from the President

Atlanta Launches New Records Again!

Economists, developers, members of CORFAC, members of SIOR, etc. affirm that manufacturers around the world are having a hard time getting the components that they require to produce their finished products to ship to their customers. Many companies shut down their manufacturing operations temporarily due to the COVID-19 outbreak, and re-starting their factories has become problematic, not only due to a lack of necessary parts, but also due to a lack of labor to work in the plants.

The global supply chain has also had its problems with bottlenecks that have slowed down delivery of shipments. Once the products finally do make it onto the ship, and once the ship arrives at the destination port, other problems have risen. For example, at the LA Port, there are 60+ ships waiting outside the harbor to dock and unload their cargo. It used to take six hours from the time the ship docked until the containers were on a truck or rail headed for their next destination. Now, it takes 5 to 6 days for that to happen. There is a lack of labor to handle the containers at the port, a shortage of truck drivers to deliver the containers to the warehouses, and a shortfall of space to store these latest shipments.

All these problems and issues that we are seeing with the manufacturers and with the supply chain itself have caused an imbalance in supply and demand which has caused prices to increase. A year ago, the cost of a shipping container was \$3,000 and that it has now taken off to \$15,000 per container. Increases in fuel costs to both manufacturing and shipping have also contributed to higher inflation and thus higher cost of goods. A lack of an adequate work force has caused wages to increase, thus also increasing the final cost to the consumer.

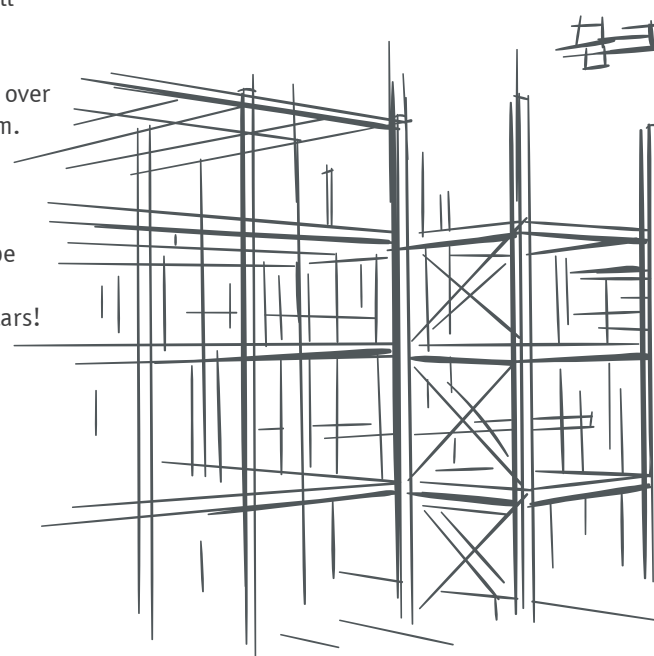
Developers and builders have been experiencing delays in receiving the components to build, along with increasing prices on everything from steel to roofing systems. The cost of steel over the past year has risen over 40 percent. We have heard that if steel is ordered now, it will probably be delivered to the site sometime after July 2022. Rumor has it that roofing manufacturers will not even quote a price at the present time and of course will not guarantee a delivery date.

Retail brick and mortar may slow down; however, E-commerce will continue to expand over the next few years. Therefore, Atlanta should be able to keep up its current momentum. While we do appear to have headwinds trying to delay the count down, the Atlanta industrial market's rocket boosters are on fire and, at the moment, all systems are go!

The Atlanta Industrial market has recorded numbers that are out of this world! We hope the odyssey will continue and that the fourth quarter of 2021 will propel us to new heights. At the moment, my plan is to meet you at the launch site and reach for the stars!

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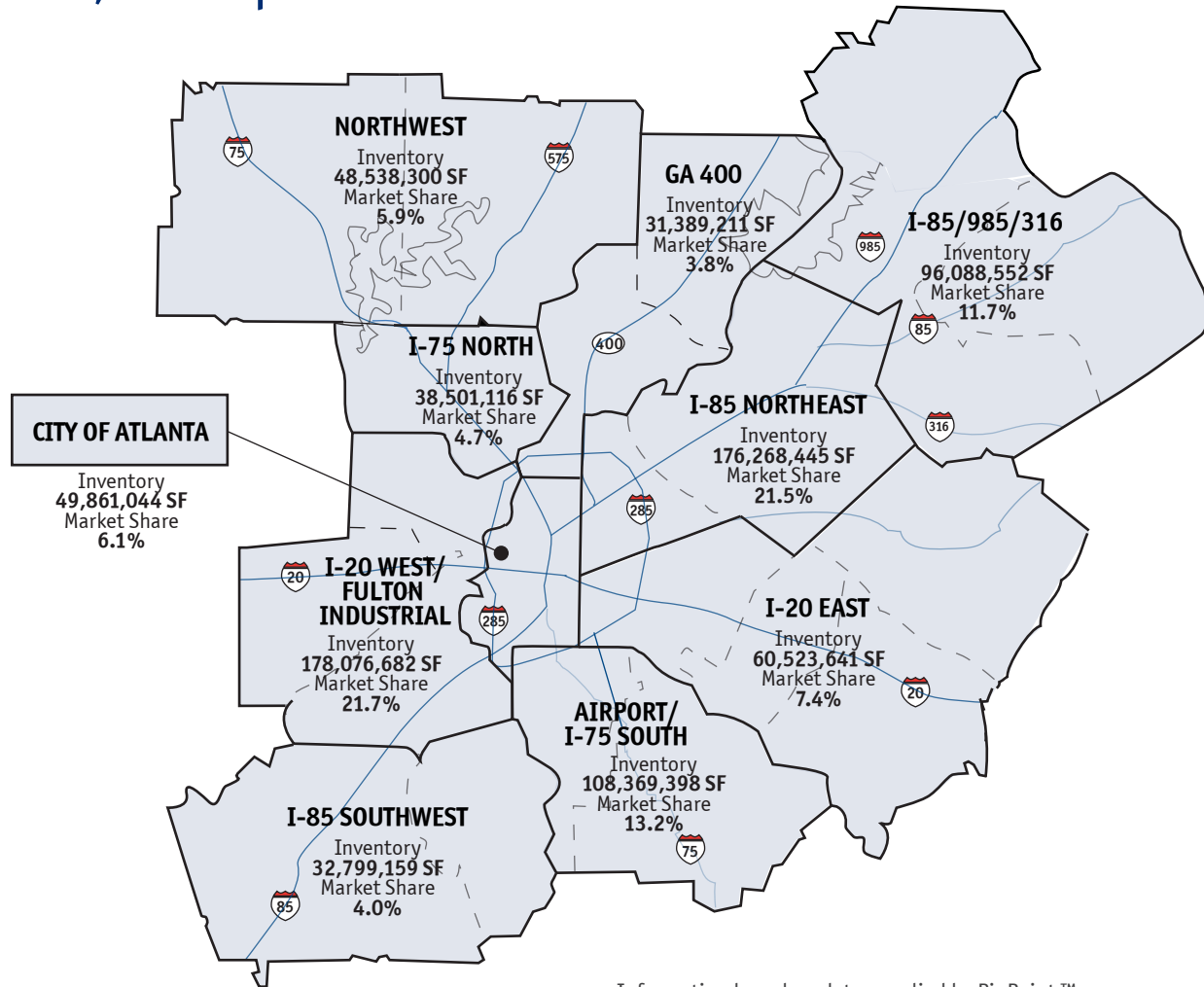
“While we do appear to have headwinds... the Atlanta industrial market's rocket boosters are fired-up and... all systems are go!”



Distribution Market Inventory

Total Inventory

820,415,548 Square Feet



Information based on data supplied by PinPoint™.
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Knowledge Through Experience

Since 1983, King Industrial Realty has tracked and reported on the Atlanta industrial market using our proprietary database, PinPoint™. We pride ourselves in remaining the only complete and independent source of industrial data in the Atlanta metro area.

New Construction

During the third quarter of 2021, the Distribution sector eclipsed its record-breaking new construction seen last quarter and totaled an astonishing 14,361,841 square feet! This included 12 build-to-suit projects for 2,992,625 square feet, which represents 18% of all new construction. With over 11 million square feet of speculative construction added to inventory, first generation space only increased from last quarter by 3 million square feet to 43,467,951, proving that the demand for industrial space is still ascending in Atlanta!

Location	Submarket	Sq. Feet	Type
Bana Road			
Bana 85 Commerce Center	I-85/I-985/316	1,550,000	Spec
Davis Lake Drive			
Gardner Logistics Park	Airport/I-75 South	1,201,560	Spec
Hog Mountain Road			
Jefferson Mill Business Park	I-85/I-985/316	1,117,800	BTS for Ace Hardware
Richardson Parkway			
Clayton 75 Logistics Center	Airport/I-75 South	700,000	Spec
Roosevelt Highway			
Palmetto Distribution Center	I-20 West/Fulton Industrial	686,038	Spec

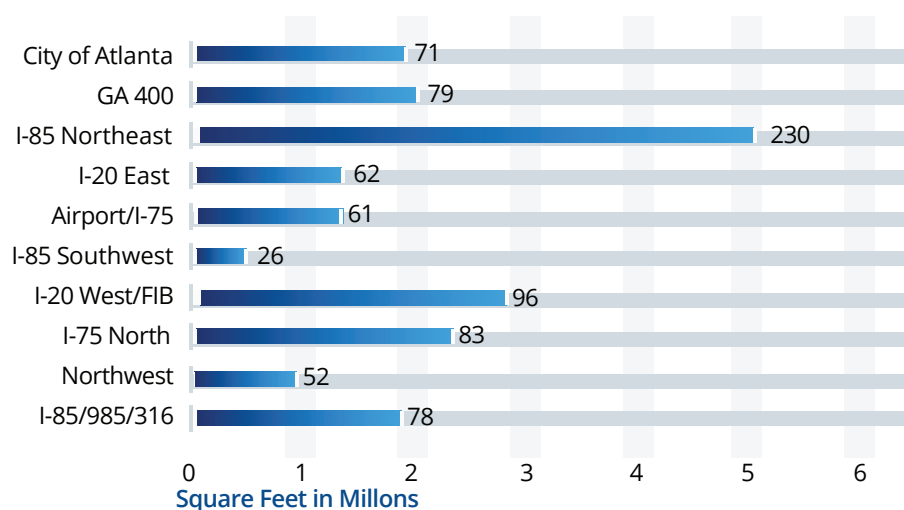
3rd Quarter 2021
14,361,841 SF



2,101,342 SF
from 2nd Quarter 2021

Distribution Activity

Number of Deals by Region



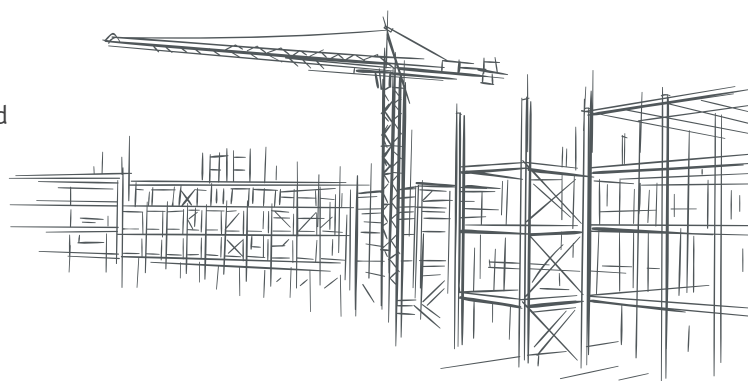
Total Activity

3rd Quarter 2021
24,671,630 SF



4,299,429 SF
from 2nd Quarter 2021

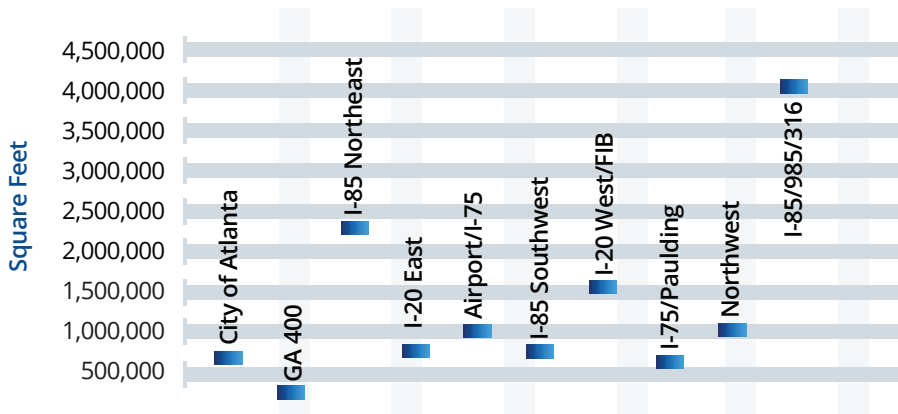
Activity in the distribution sector soared past last quarter's record with 24,671,630 square feet. The I-85 Northeast and the I-85 / 985 / 316 region got on board with the powerhouse, I-20 West / Fulton Industrial region and together they produced 58% of all activity with 4,951,907, 4,755,972 and 4,673,505 square feet respectively. All of the other industrial regions did their part, contributing to this stellar new record for Atlanta's activity.



Distribution Net Absorption

Yet another record was set during the third quarter! This time it was for net absorption for Metro Atlanta's distribution sector, with an incredible 12,115,309 square feet. The I-85 / 985 / 316 region took the lead this quarter, setting a record for the region with 3,820,905 square feet. The I-85 Northeast region took its game to a whole level, almost doubling last quarters absorption and setting a record for the region with 2,266,688 square feet. The I-20 West/FIB region gave up the lead this quarter due to a mass exodus of tenants in the region but still came in third place, reporting 1,420,506 square feet. The I-75 North region climbed out of negative territory and joined all the other regions reporting positive net absorption for the quarter.

Net Absorption by Region



Net Absorption

3rd Quarter 2021

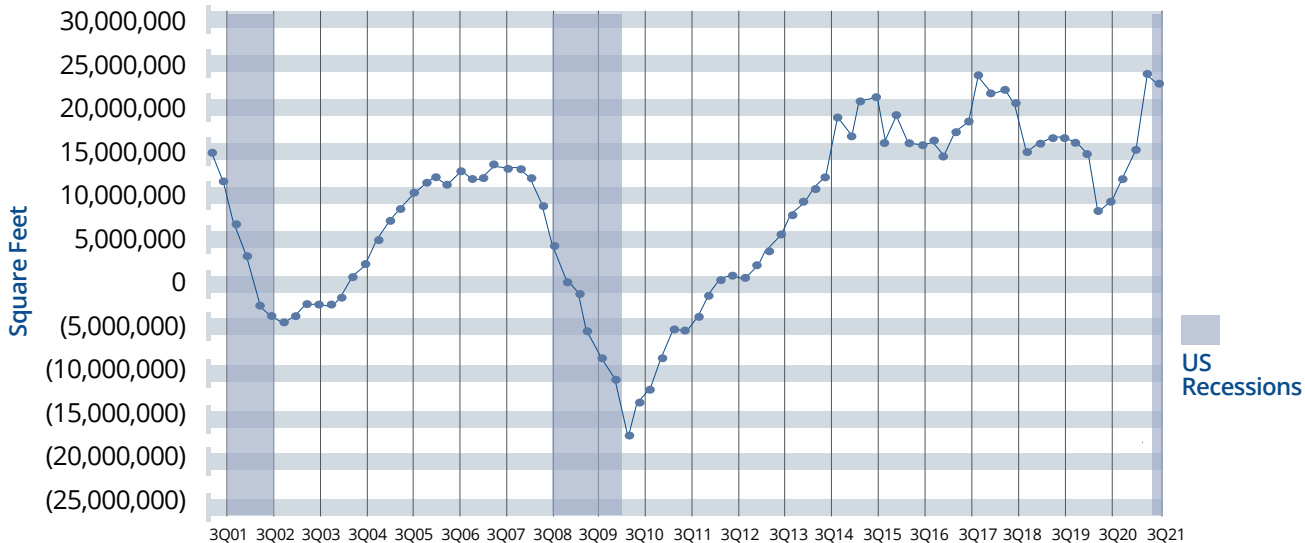
12,115,309 SF



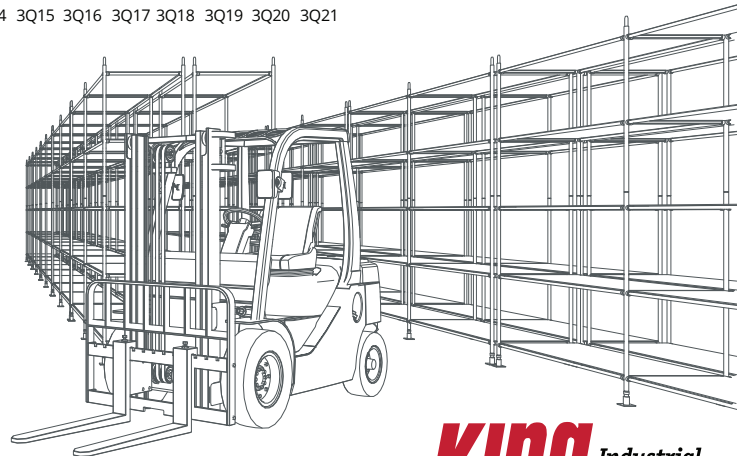
4,952,103 SF

from 2nd Quarter 2020

Net Absorption (2001 - 2021)



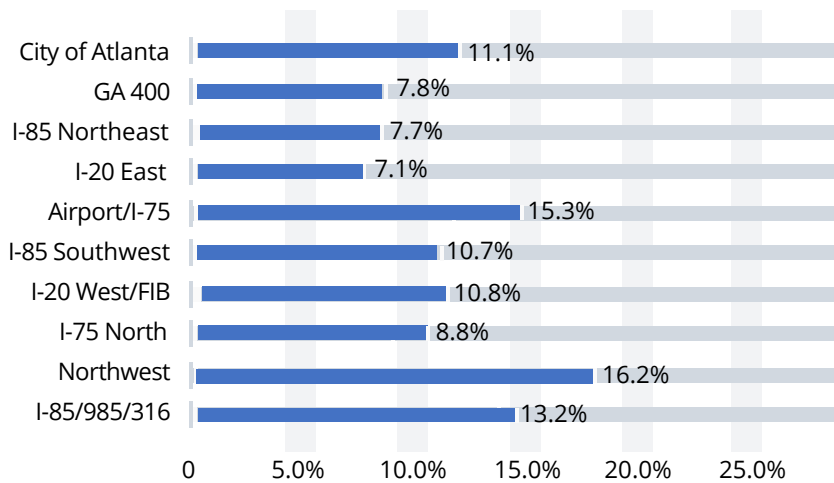
Numbers represent four rolling quarters



Distribution Availability

Despite all the new construction and a revision in our inventory (17+ million square feet of existing buildings were added to the 1-85 / 985 / 316 region), the availability rate touched down at 10.8 percent! It was amazing that available space decreased 0.4 percent when considering the record-breaking 14+ million square feet of construction this quarter. This lower rate was made possible by the skyrocketing activity seen during the quarter. The Northwest region held the highest rate at 16.2% as activity has yet to kept up with all the new construction in the region. The second largest region, I-85 Northeast, had the second lowest rate at 7.7 percent of available space as it has seen very little new construction.

Percent Available by Region



Total Available SF

3rd Quarter 2021

88,984,748 SF

Metro Availability

10.8%

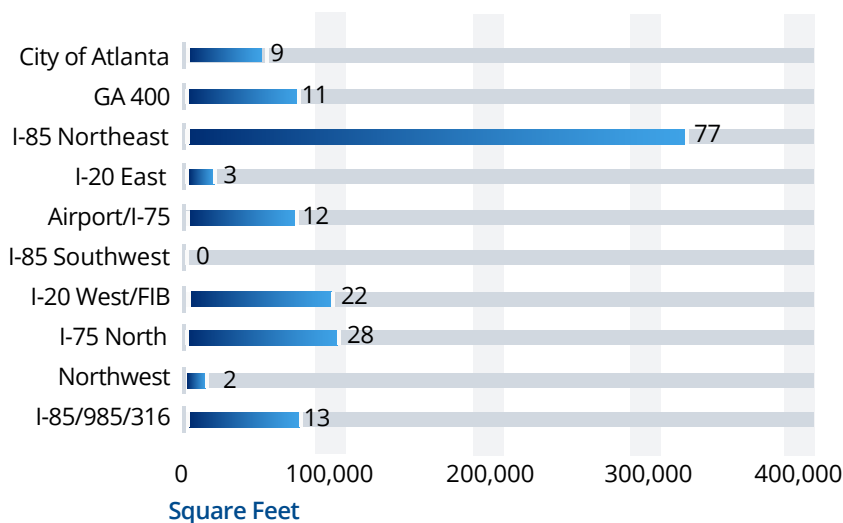


0.4%

from 2nd Quarter 2021

Service Activity

Number of Deals by Region



Total Activity

3rd Quarter 2021

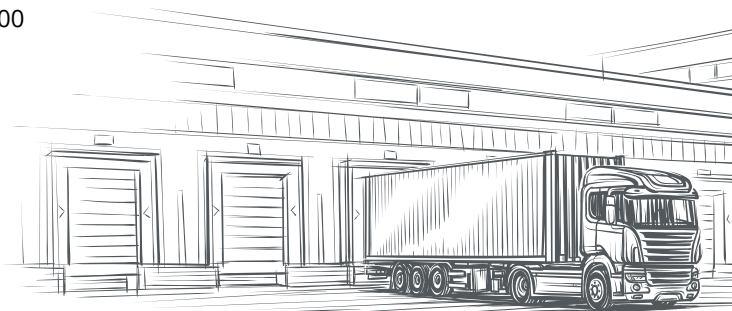
865,788 SF



250,647 SF

from 2nd Quarter 2021

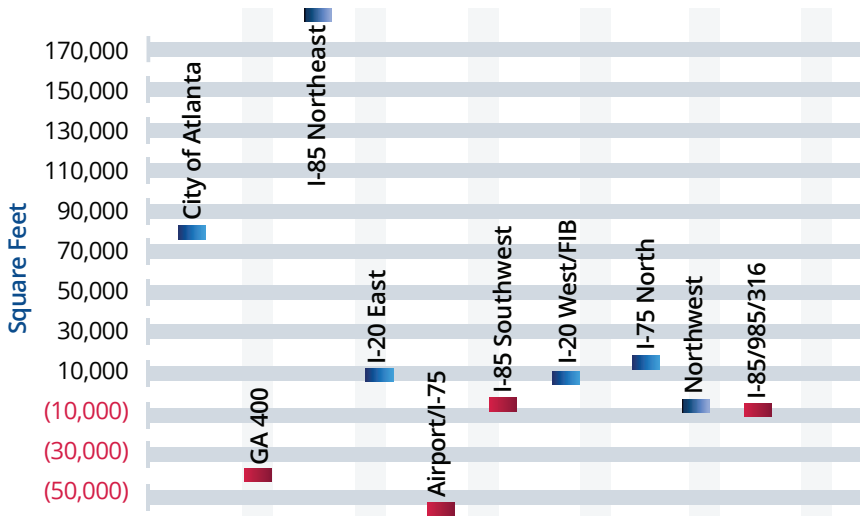
Activity in Metro Atlanta's service sector jumped on board and reported 865,788 square feet of activity- the highest number in almost three years. The I-85 Northeast region stayed in the lead with 379,166 square feet, which accounted for 44 percent of all deals in the sector. The I-75 North region took off second with 164,867 square feet of activity. Once again, the smallest region, I-85 Southwest, stayed on the ground without even one deal.



Service Net Absorption

The Metro Atlanta service center sector's net absorption switched directions during the second quarter of 2021 and reported 234,382 square feet, the highest in almost three years. The I-85 Northeast region turned on the rocket boosters and quadrupled its net absorption to 214,467 square feet. That represents almost 90 percent of the net absorption for the entire service center sector! Despite this forward momentum, four regions remained or fell into negative terrain. The Airport / I-75 South region crashed down over 100,000 square feet from last quarter, landing at -65,878.

Net Absorption by Region



Net Absorption

3rd Quarter 2021

234,382 SF

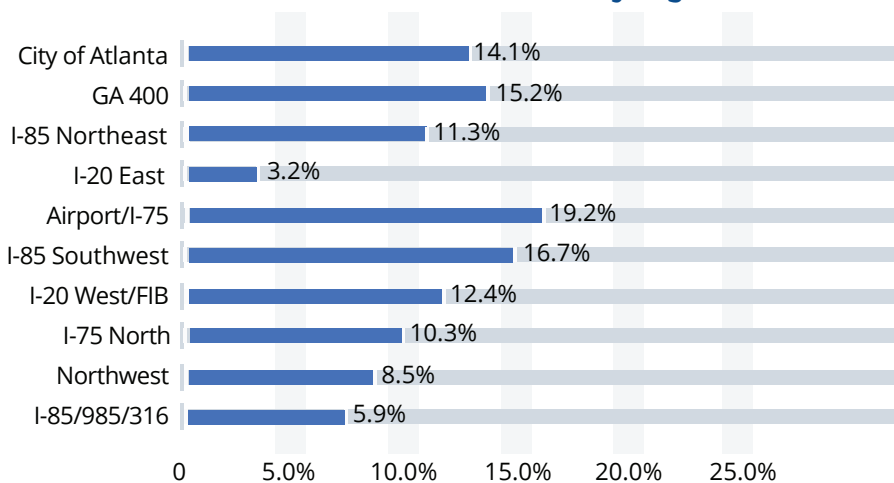


265,971 SF

from 2nd Quarter 2021

Service Availability Rate

Percent Available by Region



Total Available SF

3rd Quarter 2021

3,154,686 SF

Metro Availability

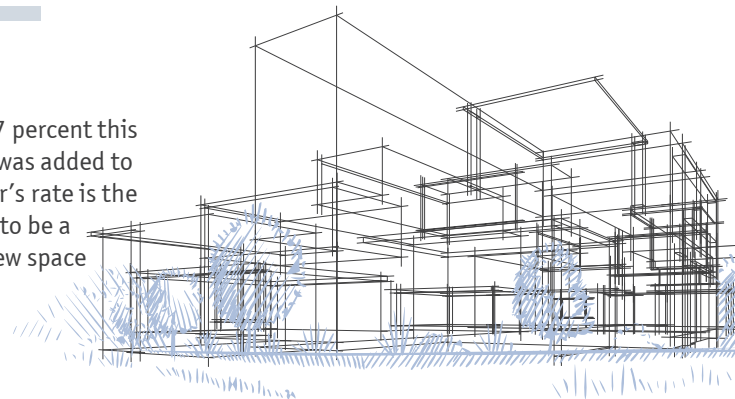
11.7%



1.1%

from 2nd Quarter 2021

The availability rate in the Metro Atlanta service sector fell 1.1 percent to 11.7 percent this quarter. This decrease is largely due to 271,204 square feet of inventory that was added to the I-85 / 985 / 316 region with only 10,500 square feet available. The sector's rate is the lowest recorded since the third quarter of 2001. New construction continues to be a no-show in the service center sector and there is only 27,676 square feet of new space available. The small I-20 East region continued with the lowest availability rate of 3.2 percent, while the Airport / I-75 South region holds the highest rate of 19.2 percent.



Next Quarter coming soon...

Q4 2021



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